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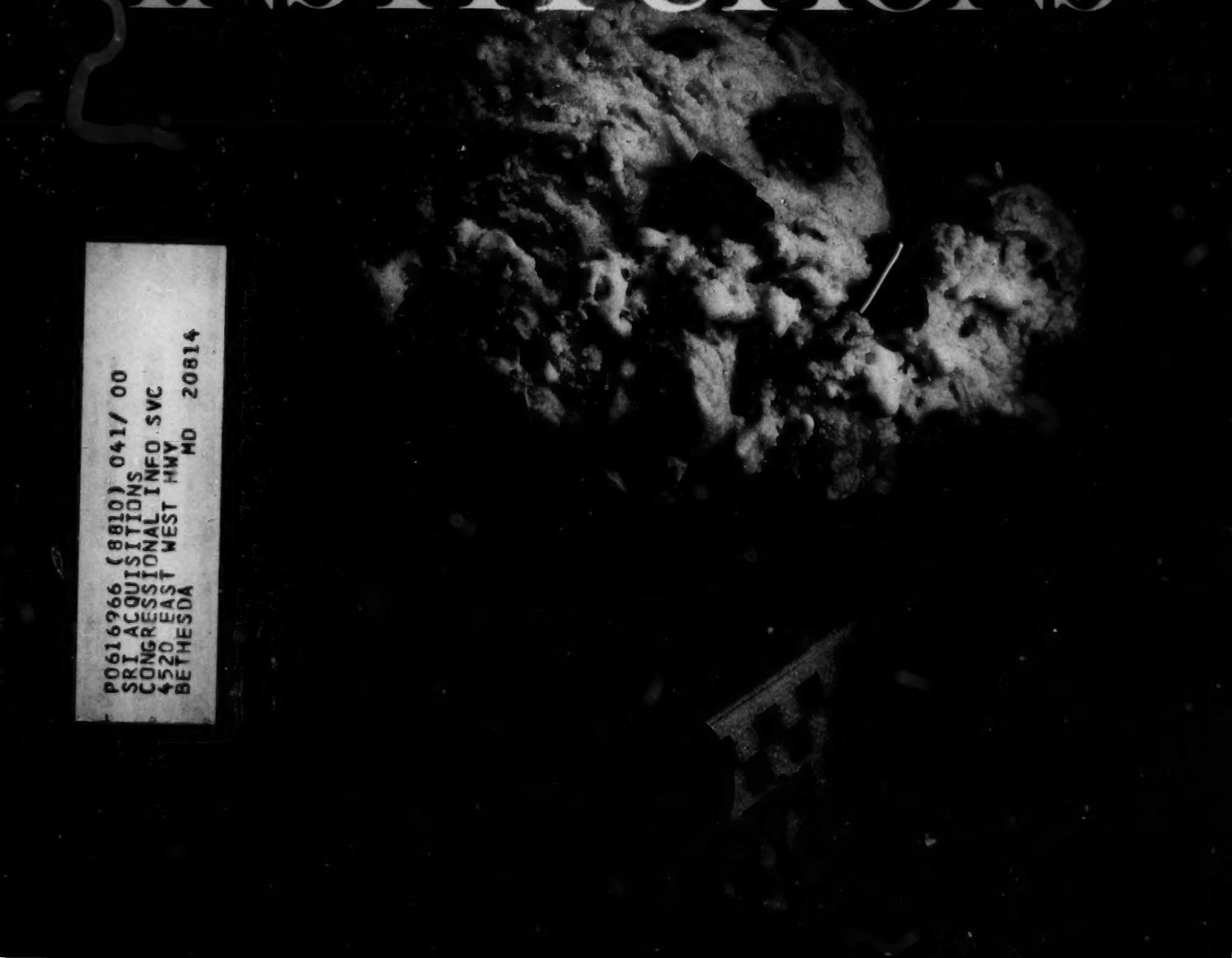
SEPTEMBER 16, 1988

A Cahners publication serving the total foodservice industry

RESTAURANTS & INSTITUTIONS



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SRI ACQUISITIONS
CONGRESSIONAL INFO SVC
4520 EAST WEST HWY
BETHESDA MD 20814

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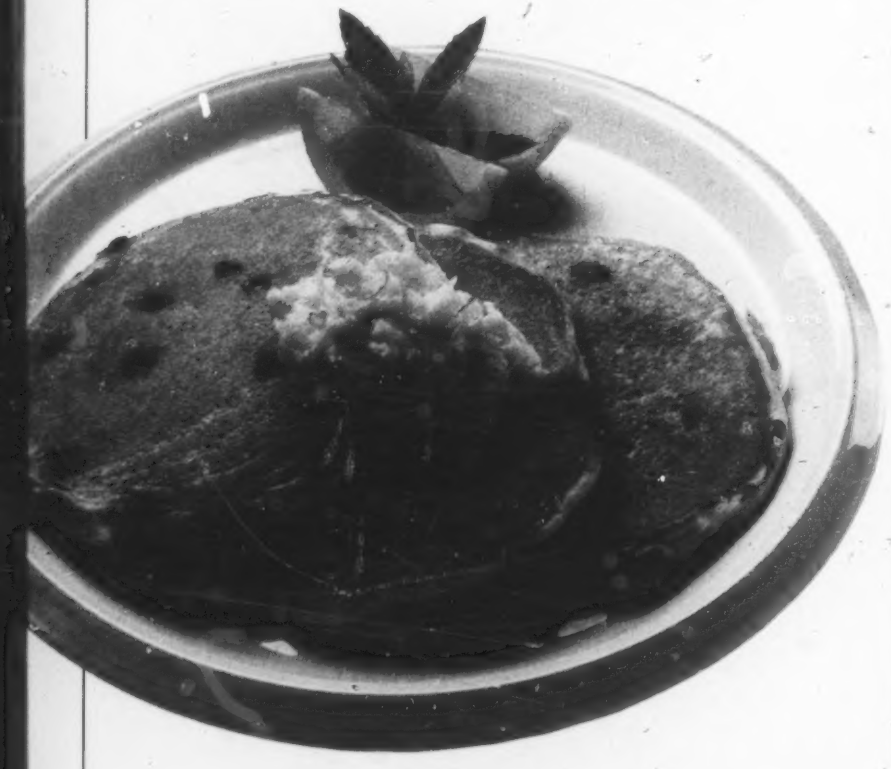

■ EXPANSION STRATEGIES

1988 GROWTH CHAINS

Conservative concepts and expansion plans distinguish this year's group of up-and-comers.

This year *R&I* has narrowed its focus in choosing the 1988 Growth Chains. The group is smaller than in previous years, a sign of the maturing industry and entrepreneurs' realization that the restaurant business requires lots of hard work, as well as hard cash. Executives that head the Growth Chains are more conservative than their predecessors.

Most are foodservice veterans who know the perils of expanding too quickly, and have tailored plans for their new companies accordingly. "We need to take care of franchisees —we can't go wild," explains Kenneth Zmudzinski, president of Hacienda Franchising Group, Mishawaka, Ind. The chain will open three Mexican restaurants this year, and three next year. Simon Hsu, who is trying his hand at Chinese fast food with Bakersfield, Calif.-based Mandarin Express, agrees. "Things are coming along, but not quickly," he says, adding that his eight-year-old company broke even just last year.

The up-and-comers also stick to safe menu concepts, most of which were pioneered by former Growth Chains companies. The section on sweets profiles eight cinnamon roll chains, a trend started by Kansas City, Mo.-based T.J. Cinnamons, *R&I*'s 1986 cover company and now No. 358 in the "400." Double drive-thrus dominate the burgers section, as they have for the past two years. Several operators are reviving tried-and-failed concepts, namely fast-food Chinese. But this time around, they are focusing on delivery and takeout, both hot foodservice trends.

Former Growth Chains companies would probably agree that the restaurant industry is best mastered with a blend of caution and creativity. For that reason, the Growth Chains of 1989 may be the most likely to succeed.

—Lisa Bertagnoli, Beth Gotschall, Julie Mautner and Brian Quinton

RESTAURANTS & INSTITUTIONS

Ben & Jerry's, Waterbury, Vt., is profiled in the section on sweets.

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1988 GROWTH CHAINS

PIZZA/ITALIAN

New entrants to the hotly contested pizza/Italian market have to find different ways to slice the pie. Some do only takeout or take-and-bake; others have switched to "American-ized" menus or Italian items other than pizza. One '88 Growth Chain undersells Domino's; another beats Spago. And many are thriving by going where the big players are not—smaller markets.

B.J. BERI'S

Headquarters: Columbus, Ohio
Projected 1988 sales: $3.7 MM
Units: 2
President: Jack Chabot

The four General Mills veterans who opened the first B.J. Beri's in New Jersey in 1985 waited two full years to build their second in a Pittsburgh suburb. They will wait longer before opening a third. "We're always looking for sites," says Operations Director Bill Gibbons. "But we go slow and get things right before moving ahead."

Getting things right has meant broadening the original "90% Italian" menu to include burgers, sandwiches and steaks. To build lunch-time and repeat business, Beri's offers reduced portions of dinner entrees, costing $5 or $6 less than the larger size. Checks (including both food and liquor) average $11 at the New Jersey Beri's, where total food and beverage sales were $2.33 million last year and $9.35 at the Pittsburgh unit, with 1987 sales of $1.2 million.

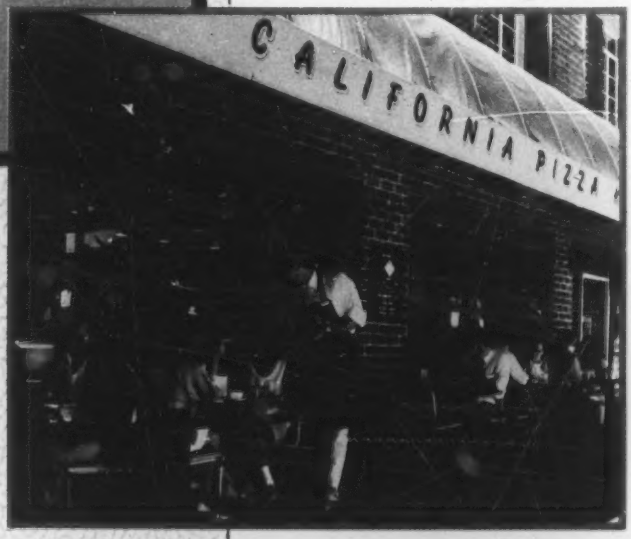
CALIFORNIA PIZZA KITCHEN

Headquarters: Beverly Hills, Calif.
Projected 1988 sales: $14 MM
Units: 7
Founders: Larry Flax and Rick Rosenfield

California Pizza Kitchen's founders backed into foodservice when their law practice took on a Beverly Hills restaurateur as a client. Now CPK sells "designer pizzas" at wholesale prices in Los Angeles, Beverly Hills, Honolulu and Atlanta, with Chicago, New York and Japan as possible future markets.

Super-hot, wood-fired ovens bake without drying out the toppings, ranging from blackened shrimp with smoked pork loin, to Peking duck, to Andouille sausage in Cajun sauce. Pasta, calzone, grilled homemade sausage and desserts round out the menu. Rosenfield says the $6.50-to-$9 entree prices are aimed at "people who are tired of spending $60 to $100 for dinner for two." Check averages are $9 at lunch and $11.50 at dinner. All stores do takeout and most have seating for 80 to 200, largely in outside mall sites.

Pizza Kitchens targets high end.



CAPTAIN TONY'S PIZZA & PASTA EMPORIUM

Headquarters: Rochester, N.Y.
Projected 1988 sales: $5.5 MM
Units: 8
President: Michael J. Martella

So far Captain Tony's has stayed close to Rochester, where Martella's father founded it in 1972. But the Captain is now shipping out for foreign ports; last July the chain contracted with a British franchisee to open at least 100 Tony's in the United Kingdom. On native soil, Captain Tony's has tapped into the market for quality pizza with 20 toppings, from pepperoni to pineapple, on regular or whole-wheat crust. Specials include five cheese, white clam and pesto pies. Prices range from $2.75 for an individual pie to $12.95 for the deep-dish Captain's Classic; the average check is $11. Stores also offer baked chicken wings and subs.

Average unit volume is $375,000. The company charges a $15,000 franchise fee, with a 3% royalty and 2% ad fee. Start-up costs for a 1,000-square-foot unit run about $55,000.

CASINO'S PIZZA

Headquarters: Miami
Projected 1988 sales: n/a
Units: 25

Casino's is a two-year-old pizza takeout and delivery chain drawing customers from the lucrative Dade and Broward counties in Florida. The company has franchised 23 locations and is now looking for multiple franchisees to open three stores at a time; the expansion goal at Casino's is 70 units in Dade, Broward and Palm Beach counties by

Casino's is big on phone orders.

the end of 1988. Future development targets include the Baltimore-Washington, D.C., corridor.

The Casino's menu is straightforward: primarily pizza. The company has just taken its show on the road, in a 36-foot trailer equipped to make and sell pizza on site at sporting events and other high-traffic locations.

FOX'S PIZZA DEN

Headquarters: Pittsburgh, Pa.
Projected 1988 sales: n/a
Units: 110
President: Jim Fox

While growing from a single store to the 16th largest pizza chain in the country, Fox's Pizza Den has not strayed far from its beginnings—in either its menu or its markets. Jim Fox opened his first unit in western Pennsylvania in 1971, and that's where most of the Pizza Dens are today. Besides pizza and hoagies, they still sell the "Wedgie," a sandwich of cheese, ham or beef, onions and sweet peppers on pizza crust rather than bread.

The Dens are most often small stores of 800 square feet in small towns of about 6,000 people where rents are low. Average unit volume is $200,000. The chain's systemwide sales were more than $20 million in 1987. Franchisees pay $8,000 for a license and a flat $200 monthly fee.

PIZZA DISPATCH

Headquarters: Pompano Beach, Fla.
Projected 1988 sales: n/a
Units: 8
Director of development: Greg Sausaman

Not yet six months old, Pizza Dispatch has attracted more than the usual industry attention simply because of the names behind it: Tom Monaghan and Domino's. The new chain is a wholly owned but autonomous subsidiary of the No. 2 pizza feeder. Sited in central Florida, it has plans for 38 more stores around Miami-Fort Lauderdale in 1988.

Pizza Dispatch sells a 10-inch cheese pizza for $4.20 and a 14-inch pie for $6.15. That's two inches smaller and about 30% cheaper than the corresponding pies at Domino's, allowing Pizza Dispatch to target singles and small families. The typical store is about 1,000 square feet and serves a two-to-three mile territory (which may intersect with the areas already served by Domino's). As with Domino's, all stores are takeout and delivery only; and like the parent company, Pizza Dispatch offers "free delivery in 30 minutes or $3 off."

SAUCY'S PIZZA

Headquarters: Everett, Wash.
Projected 1988 sales: $7 MM
Units: 73
President: Gary Alcombrack

Saucy's, begun in 1982, is now the nation's largest take-and-bake pizza chain, according to Alcombrack. The menu mainstay is a pizza that customers bake at home for 10 to 12 minutes, producing a "fresher, better" gourmet pie than that baked in a store. Crusts are made and cooked partially by an independent bakery, then flash-frozen to halt yeast action. When the dough thaws at the store and bakes at 425F in the customer's oven, the yeast reactivates to form an even crust.

Eliminating in-store ovens cuts overhead and lets Saucy's go after the price-conscious pizza consumer; pizza check averages run about $9. Prices for the 12- or 15-inch pies range from $5 to $15. Saucy's favors strip-mall sites in markets too small to draw large national franchisors. Alcombrack plans to have 300 units operating by 1990. Most of these will be the new Saucy's Super Stores, selling subs and frozen yogurt as well as take-and-bake pizza.

Yogurt builds Saucy's traffic.

THE SPAGHETTI SHOP

Headquarters: Evansville, Ind.
Projected 1988 sales: n/a
Units: 8
President: Jim Teaters

In 1984, Jim Teaters was a former manager at Arby's, Pizza Hut and Burger King, in search of a new fast-food concept. In 1985, he found it—

Diners take to takeout pasta.

spaghetti. For less than $8, Spaghetti Shop customers can pick up a half-gallon container with four 16-ounce servings of pasta over 24 ounces of hot meat sauce along with a loaf of fresh garlic bread. The insulated bucket holds the pasta above 140F for 45 minutes, long enough for the customer to get home and toss noodles and sauce together.

Teaters says he'll keep the concept in the Midwest for now and hopes to have 11 stores by the end of 1988. Franchise fees are $20,000 with 4% royalties; a start-up costs around $120,000.

1988 GROWTH CHAINS

CASUAL DINING

Like all chains, casual-dining restaurants compete for the 18- to 45-year-old market, and so points of difference are crucial to success. No longer content with basic coffee shop menus, operators are focusing on specialty foods, from half-pound burgers and spiced chicken wings to premium ice cream. Low prices and good service—including valet boat docking—complete the packages.

GOLDEN GREEK RESTAURANTS

Headquarters: Fort Lauderdale, Fla.
Projected 1988 sales: $6.3MM
Units: 21
President: John B. Leger
Golden Greek Restaurants, all of which are located in food courts, offer Greek and Middle Eastern food. The best-selling item is the gyro sandwich, priced at $3.75. Checks average $4; average unit volumes are $300,000.

GGI Enterprises Inc., franchisor of Golden Greek, hopes to open 12 more restaurants this year and 20 more during 1989. The company's top priority, however, is to make a public stock offering within the next 12 months. If that happens, the company will step up expansion, says Alfred N. Miller, vice president of sales.

MELONS

Headquarters: Clearwater, Fla.
Projected 1988 sales: $5MM
Units: 5
President: Russell Latimer
Melons, which markets itself as an upscale neighborhood pub, offers chicken wings, sandwiches and seafood. Wings, the chain's specialty, come in a variety of flavors and are sold in quantities of 10 for $3.25, 20 for $6.25 and 50 for $12.95. Food accounts for 55% of sales. Average unit volumes are $1.1 million. Checks average $5.

The chain's franchising program is complete and the Melons name has been trademarked. The chain plans to expand first in Florida, and then look for locations in the Southwest and Midwest. Two more Melons are expected to open in November in the Florida Keys.

NEWPORT CREAMERY

Headquarters: Middletown, R.I.
Projected 1988 sales: $27MM
Units: 38
President: Peter Rector
Newport Creamery began back in 1940 when the father of the current president took his own father's prospering dairy business one step further and opened an ice cream shop called The Milk Bar.

Today, the restaurants offer much more than ice cream and sundaes. Platters, priced from $3 for a cheeseburger with fries and coleslaw to $4.50 for fried clams, fries, coleslaw and a roll; sandwiches ($1.95 for a mushroom burger) and salads pull in lunch and dinner crowds.

Ice cream still is the star attraction. The 26 flavors, ranging from vanilla to butter crunch, are made in small batches with pure milk and cream from New England dairies.

Newport Creamery restaurants are located throughout Rhode Island, Massachussetts and Connecticut. All are company-owned and there are no plans to franchise. The company plans to open four more stores by the end of 1989. The units seat about 70 diners and have average unit volumes of $665,000. Checks average $3.40.

PAUL'S PLACE

Headquarters: Denver
Projected 1988 sales: $1.7MM
Units: 5
Chairman: Alan H. Marcove
Paul's Place features charbroiled hamburgers, priced at $1.89 for a quarter-pound burger and $2.79 for a half-

Newport Creamery has 38 restaurants in New England.

* R&I estimate

Paul's Place offers half-pounders.

pound burger. Chicago-style hot dogs, fish sandwiches, chicken sandwiches, chili and a salad bar round out the menu. Checks average $3.75 per person. The company would not disclose average unit volumes.

The first Paul's Place opened in 1985. The company made its first public offering in November 1986, and is traded over the counter. The restaurants, all company-owned, are located in and around Denver.

The franchise fee, now $20,000, is going up to $25,000 Oct. 1. Royalties start at 3%, increase to 3½% during the second and third years of operation, and then to 4% for the fourth year of operation.

PLUSH PIPPIN

Headquarters: Federal Way, Wash.
Projected 1988 sales: $20MM*
Units: 16
President: Jack Sutton

Plush Pippin, started 15 years ago, now operates restaurants and pie shops. The menu offers burgers, salads and several dinner plates, such as halibut steak. No alcohol is served. Pies and desserts account for 18% of sales. Of the 32 varieties of pie, the best seller is apple made with Pippin apples. A slice costs $1.55 and a whole pie sells for $5.60.

The 19 pie shops, which offer pies, quiche, beverages and sandwiches for takeout, are located in Los Angeles-area shopping malls as well as Vons supermarkets.

The company hopes to open three more restaurants this year and six to eight more next year. The franchise fee is $35,000 with 4% royalties.

PREMIER VENTURES

Headquarters: Denver
Projected 1988 sales: $17MM
Units: 6
President: Phil Roberts

Roberts is a concept creator more than he is a chain restaurant operator. Premier's six restaurants are all in Denver. The concepts range from Caledonia's, a casual barbecue restaurant, to Marlowe's, a fine-dining restaurant that offers seafood, pasta, steaks and chops.

Roberts and designers did everything possible to make the latest restaurant, Sunset Beach Grill, look like a beach. The wait staff wears beach outfits and the beach area is covered with 430 tons of sand. Pizza, burgers, finger foods, Mexican dishes and specialty drinks are offered.

Premier's expansion plans are reasonable, considering the amount of work required to create different concepts and find suitable locations. Roberts plans to open one more restaurant this year and another next year.

SHOOTERS ON THE WATER

Headquarters: Fort Lauderdale, Fla.
Projected 1988 sales: $31.1MM
Units: 4
Founders: Reg Moreau, Mel Burge, Aurel Lahaye and Rolly Maranda

The first Shooters opened on the Intracoastal Waterway in Fort Lauderdale in December 1982. Offering indoor and outdoor dining, boat docking with valet assistance, a sundeck and 20- by 40-foot swimming pool for customer use, the Shooters concept caught on immediately. "The phrase 'overnight success' definitely applies," says Shooters' Jan Idleman.

Since then, the company has opened a unit in North Miami Beach (January 1987); a franchised unit in which the four principals are partners in Cleveland (June 1987); and most recently, a second franchised unit, in Sandusky, Ohio, one hour west of Cleveland, on Lake Erie. All units offer boat docking, indoor and outdoor dining and swimming. The Florida units also offer onboard foodservice. Shooters is currently looking at possible sites in 10 major waterfront cities, including Detroit.

The casual Shooters menu includes appetizers, sandwiches, pasta, prime rib, steaks, hamburgers and salads. Checks average $14 to $15. The Fort Lauderdale Shooters did $10.5 million in food and beverage in 1987, and ranked 14th on *R&I*'s 1988 list of America's Top 100 Independent Restaurants.

Plush Pippin features pies.

Premier's Sunset Beach Grill

TASTEE DONUTS

Headquarters: Harahan, La.
Projected 1988 sales: $15.4MM
Units: 54
President: Burgess McCranie

Despite its name, the company proudly touts itself as the home of the Kastleburger, a small hamburger that can be ordered with fries and soft drinks. Tastee Donuts is currently looking into an expanded morning fare—a full line of breakfast items including eggs, doughnuts, biscuits and sausages—to capitalize on the already-existent morning business.

Franchising fees are $20,000, with 5% royalties and an additional 4% for advertising.

1988 GROWTH CHAINS

SWEETS

Like the big sweets chains, smaller companies see wisdom in expanding menus. Cookie shops offer other baked goods, as do ice cream parlors. Cinnamon rolls remain a popular concept, and entrepreneurs rely on the smell to attract impulse buyers. Of course, the customer's health demands must be satisfied: Yogurt and low-cal ice cream do the trick.

ALL AMERICAN FROZEN YOGURT CO.

Headquarters: Portland, Ore.
Projected 1988 sales: $2.4MM
Units: 16
President: C.R. Duffie Jr.

When asked why he doesn't open a shop in downtown Portland, C.R. Duffie asks, "Why?"—then cites the fact that there is a competitor on every third corner. The frozen-yogurt chain operates strictly in malls and even shies away from food courts, where impulse buys such as yogurt suffer from the presence of full-menu chains like McDonald's.

The company has just begun to franchise and will expand into Texas, Arizona, Florida and Idaho (it currently operates on the West Coast and in the Northwest). Franchising fees are $20,000, with 5% royalties. The fee is scaled down for multi-unit operators. Nine stores are planned for 1988, with another 18 to follow in 1989.

Of the 50 flavors offered, 30 are standard, including vanilla and fresh-fruit varieties. There are 42 toppings; six to eight are fresh fruit and about 34 are various candy and granola blends. Yogurt by the cup is the mainstay, with a check average of $1.53, but yogurt pies ($7.95) and yogurt by the gallon ($10) are available. Liqueur flavors and non-fat varieties tempt the tastes of everyone from indulgers to dieters. Some units are testing baked goods, as well as soup and salad combinations, but Duffie does not think this kind of menu expansion will be pursued.

D'Lites Emporium has low-cal treats.

BEN & JERRY'S

Headquarters: Waterbury, Vt.
Projected 1988 sales: $4MM to $8MM**
Units: 70
Founders: Ben Cohen and Jerry Greenfield

The funky image of Vermont Holstein cows on rolling pastures, the photo of the company's namesakes on every carton and pure word of mouth has propelled Ben & Jerry's into consumer consciousness.

Heath Bar Crunch is far and away the best seller. Ice cream sells for $1.15 for a small size, $1.55 for a medium and $2.05 for a large. Ice cream cakes (priced from $10.50 to $29.95), cappuccino, fresh juices and regular coffees also are offered. Average unit volumes are $200,000 to $350,000.

Franchise fees vary, depending on whether the unit is free-standing, or located in a mall or shopping strip. Franchisees give 4% of monthly gross sales toward in-house advertising.

Ben & Jerry's will add 15 more stores in 1988 and another 60 to 70 stores in 1989. The company has one unit in Montreal, and more will open next year. Plans are set for units in Seattle, San Diego, Los Angeles, San Francisco and Denver. Also, negotiations for shops in Moscow, Tel Aviv and Australia are in the works.

CHRISTY'S FRESH CINNAMON ROLLS

Headquarters: Dallas
Projected 1988 sales: $750,000
Units: 9
President: Michael LaPay

This purveyor of fresh baked goods opened its doors in July 1987. Located in regional malls (with stores in Georgia, North Carolina, South Carolina, Texas and Virginia), Christy's offers a limited menu of hot cinnamon rolls, brownies, cookies, sticky buns and seasonal specialty breads. Franchise fees are $15,000, with 5% royalties, and the check average is currently $2.25. But this average, as well as average unit volumes of $150,000 to $175,000, could change soon.

Because bakery sales peak during morning hours, the Christy's team decided that something needed to be done to keep sales up all day. The need was compounded by the fact that most malls open at 10 a.m., thereby losing a good portion of potential morning sales. Hence, the first Philadelphia

**Company estimate

Marvelous Muffins uses natural (and expensive) ingredients.

store, now open, will offer a full line of frozen yogurt in addition to baked goods. Four flavors from a line of 40 flavors are offered daily, along with 28 toppings.

Five stores will be added in 1988. The company is moving into urban settings, in addition to malls, and this, too, will help garner a share of morning trade. Expansion plans for 1989 are not yet set.

D'LITES EMPORIUM

Headquarters: Coral Springs, Fla.
Projected 1988 sales: $3.3MM
Units: 6
Founders: Gerald and Susan Corsover

When Susan Corsover underwent heart surgery at the age of 32, the strictures of her new diet were just one of many changes to be dealt with by the New York couple. The Corsovers moved to Florida in 1982 and, in a classic case of turning a bane into a blessing, opened their first sweets shop in Plantation.

The menu includes low-calorie ice cream, made through an agreement with a local dairy, low-calorie pastries prepared on pans requiring no fats or oils, low-fat cookies, and both hard and soft candies that are either free of sugar, low in calories or both. About 80% of the business is ice cream and it also is the only product the company provides to franchisees (fees are $12,000, with 4% royalties.) All other items are purchased by franchisees directly from the manufacturers.

Average unit volumes are $400,000, with check averages of $3.13. D'Lites will open six to eight stores in 1988, 12 to 15 in 1989.

MARVELOUS MUFFINS

Headquarters: Fullerton, Calif.
Projected 1988 sales: $1.2MM
Units: 5
Chairman: Peter Divona

On frequent trips to Canada, Karen Heyman, the founder of Marvelous Muffins, noted that muffin shops were as prevalent as hamburger stands are in the United States. With a Small Business Administration loan, she opened the first shop in Encinitas, Calif., in 1983.

In 1986, she teamed up with Peter Divona, president of California Cold Storage and Distributing Co., and a $1 million deal was made. The company has no franchises as yet, but should have 15 to 30 by the end of 1989. All expansion will take place in California. Strip centers with anchor stores are the locations of choice. Present unit sales volumes are $200,000.

In addition to more than 200 varieties of muffins (which sell for 95 cents), the chain offers Bake-Overs—pastries filled with ham, cheese, turkey, strawberries or vegetables. Cookies, brownies, and gourmet coffees and juices also are on the menu.

MOM'S CINNAMON ROLL SHOPS INC.

Headquarters: Englewood, Colo.
Projected 1988 sales: $6MM
Units: 26
President: Douglas Alvey

Founded in 1985, this cinnamon roll shop operates strictly through franchising. In 1988, franchise markets with a minimum of eight stores within a designated area are being offered in addition to individual deals. Franchise fees are $20,000, with 5% royalties. According to the company, franchisees have average net profits of 26.7%, with food costs averaging 17% to 19%. All supplies are secured through a single national distributor.

Twenty stores are due to open in 1988; another 45 are scheduled for 1989.

Check averages are $2.25 and unit sales volumes average $200,000. The menu includes four kinds of cinnamon rolls— original, pecan, raisin and whole wheat—with prices ranging from $1.25 to $1.35. Sticky buns are $1.45 and loaves of specialty breads sell for $2.99. Mini cinnamon rolls draw quantity takeout orders and sell for $4 a dozen.

MRS. POWELL'S DELICIOUS CINNAMON ROLLS

Headquarters: Idaho Falls, Idaho
Projected 1988 sales: $7MM
Units: 57
Founders: Dick and Gayle Powell

Dick Powell will tell you that his wife, the Mrs. Powell of the company name, can really cook. People were always asking for the recipe for her cinnamon rolls and, after a successful showing at the Idaho state fair, her first commercial venture, the seed for the concept was planted.

Mass production took off from 1981 to 1983, after the company decided to set up shop in local malls and shopping strips. Franchising began in December 1984 and now units are found across the United States. Only four of the 57 units now open are company owned. Seventy-five units are due to open in 1988 and an equal number in 1989. Franchise fees are $25,000, with 5% royalties. The company will concen-

continued on page 64

1988 GROWTH CHAINS

Some companies prefer to control the stores, while others prefer the freedom of franchising.

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trate growth in the New England and Midwest regions.

The top seller, of course, is the large cinnamon roll that made Mrs. Powell famous. The rolls go for about $1.25; check averages are about $2.20. In addition, Cinn-a-yum twists, also served hot, and Country Loaf, a two-pound white sandwich bread, are offered.

OH-LA-LA!

Headquarters: San Francisco
Projected 1988 sales: $3.3MM
Units: 9
President: Robert Moran

The gourmet cappuccino-pastry shop has a decidedly European feel to it. Founded by Monaco entrepreneur Phillipe Laik in 1982, the store promotes specialty coffee drinks and bakery products, from croissants to muffins. The stone-tiled, granite-countered units, all in the San Francisco Bay area, cater to the high-end consumer.

The walk-ups, which look like French coffee bars, have average unit volumes of $185,000, while the casual-dining units do $200,000 to $350,000 annually. The largest unit pulled in $1MM in 1987. Checks average $1.35 to $1.90.

Oh-La-La! has not entered the franchising arena, though the company has had "countless offers," according to Bob Moran. In the meantime, five or six stores will open in 1988, 14 to 16 in 1989.

PERKITS YOGURT

Headquarters: Cleveland, Tenn.
Projected 1988 sales: $6.84MM
Units: 62
Founders: Perk Evans and Kit Evans Henderson

It started out as a nice idea and grew into a nice, profitable idea. In 1985, the brother-sister team of Perk and Kit Evans decided to create a gathering place for friends in Cleveland, Tenn.

The store has an old-fashioned ice cream parlor ambiance that appeals to customers, according to Evans. Just one year after the first opening, the couple began franchising and now has agreements pending for expansion in Italy, France and Japan, as well as across the United States. Drive-thru units account for 30% to 35% of sales.

The average unit volume is $225,000. Twenty flavors of premium frozen yogurt, with toppings on display, head the bill of fare. A variety of Belgian waffles, waffle cones, hot fudge cakes and banana splits draw orders as well. Checks average $1.79. Franchising fees are $20,000, with 3½% royalties and 2½% toward ad promotions. The company will add 35 units in 1988 and 100 in 1989; and has contract agreements signed for 400 units over the next four years.

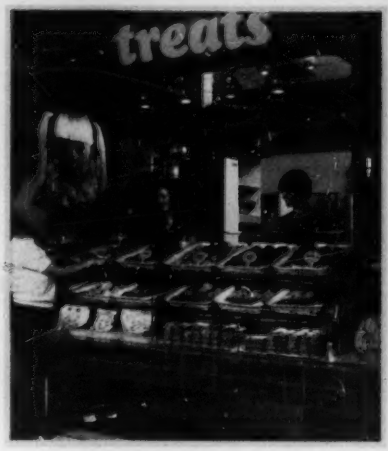
U.S.A. TREATS

Headquarters: Middlesex, N.J.
Projected 1988 sales: $4MM
Units: 20
Founder: Andrew Thorburn

After spotting an ad for a franchising opportunity in the *Wall Street Journal*, Andy Thorburn decided that the U.S. division of the Canadian-based Treats Inc. was an opportunity waiting to happen. In 1988, his company, Restaurant Management Corp., bought the rights to U.S.A. Treats Inc. and growth plans were set in motion.

The concept, found in malls and downtown office complexes, includes a menu with more than 50 flavors of freshly baked muffins (which account for 50% of sales). Crumbles (coffee cake muffins with a medley of fruit toppings and strudel) pocket sandwiches with ham and cheese, pizza, broccoli and cheese, and other fillings for the lunch-time crowd, as well as brownies, cinnamon swirl muffins and cookies round out the menu offerings. The check average is $1.46.

Mrs. Powell's started at a state fair.



U.S.A. Treats will redesign its stores.

WARBURTON'S

Headquarters: Chicago
Projected 1988 sales: $10MM
Units: 17
President: William Underhill

Reminiscent of an old London bakery, Warburton's has a history that goes back 100 years to the family that still owns and operates 100 bakeries throughout Great Britain. The restaurant is full of marble, brass and tile, as well as the ever-present aroma of freshly baked foods.

In keeping with expansion plans (to add one or two markets, in addition to Boston, Pittsburgh and Chicago), the company moved headquarters to the more central Chicago location in July 1988. Eleven stores will open in 1988 and 14 more in 1989. The company neither franchises nor advertises.

Aside from muffins, cookies and brownies, the chain offers several authentic English items, including scones, pasties (puffed pastries with meat, poultry, vegetable and cheese fillings) and savories. The average check is $1.75. All goods not sold by day's end are donated to the Salvation Army.

1988 GROWTH CHAINS

Double drive-thru remains a hot concept as entrepreneurs try to beat the big chains with quick service and low prices. All emphasize quality of burgers, whether fresh, ground on premises, broiled to order or served with lettuce and onions. Since all say theirs are the best, may the best burger succeed.

BEEFY'S HAMBURGERS

Headquarters: Nashville, Tenn.
Projected 1988 sales: $16MM
Units: 31 *
President: Charles Montgomery

Beefy's was one of the earliest entrants in the no-frills burger segment; Montgomery opened the first Beefy's restaurant in May 1984 in Nashville, Tenn. Each Beefy's unit has a double drive-thru window, an average of 600 square feet and no seating.

Beefy's menu consists of quarter-pound, "fully dressed" hamburgers (99 cents) and double hamburgers, with cheese or bacon. Beefy's also serves french fries (49 cents), drinks in 16- and 32-ounce sizes and kiddie meals. Some units also serve milkshakes and dessert items. Checks average $2.90.

Average unit volume is $425,000, but some units boast sales of $525,000 to $550,000. A Beefy's franchise costs $8,500, with 3% royalties and a 1% advertising fee. The typical cost of opening a Beefy's unit is $165,000 plus land.

Beefy's is now operating in seven states, mostly in the Southeast. The company plans to open 10 more units before the end of 1988, and 25 units in 1989—five of them company-owned and 20 franchised.

BIG AL'S

Headquarters: Kansas City, Mo.
Projected 1988 sales: $8MM
Units: 24
Founders: Anson Williams, Al Molinaro and Richard Biederman

In the popular syndicated television show "Happy Days," Richie, Potsie and Fonzie hang out at a drive-in called Arnold's. In early episodes, actor Pat Morita played the restaurateur Arnold, but Morita was eventually replaced by actor Al Molinaro. Molinaro's character was named "Big Al."

When the show ended, Molinaro teamed up with actor Anson Williams (who played Potsie on the show) after deciding that the popularity of Arnold's drive-in lent itself perfectly to a restaurant concept. But neither had restaurant experience, so they went to industry consultant Richard Biederman and soon, Big Al's was born. The first Big Al's opened in Overland Park, Kan., in 1985.

Big Al's restaurants are located only in major shopping malls, and there are two prototypes. One is a food court operation (a kitchen and a serving counter); the other is an in-line store with approximately 100 seats.

Today there are 20 Big Al's stores open around the country in cities such as Minneapolis, Baltimore, Washington, D.C., Philadelphia, Denver, St. Louis, and Dallas/Ft. Worth. Biederman says that of the approximately 1,500 major enclosed malls in the country, 400 to 500 are potential Big Al's sites. The company plans to build 15 to 20 units in 1989. The franchise fee is $20,000 and the royalty fee is 4%. Average unit volume is $400,000.

Big Al's menu includes quarter-pound and six-ounce hamburgers, straight and curly fries, batter-dipped onion rings and hard ice cream milkshakes ("real ice cream, no machines"). Checks average $3.25. Orders are served in less than one minute.

Beefy's has 31 units in seven states.

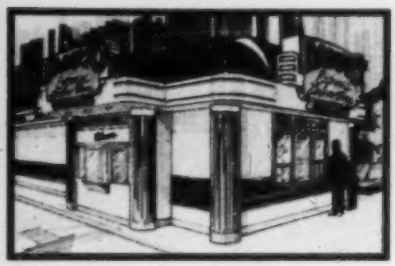
CHAR-HUT

Headquarters: Davie, Fla.
Projected 1988 sales: $6.5MM
Units: 6
Principals: Joe and Cathy Cemmisa, Ed and Jean Kirouac, Marina Weller

The first Char-Hut opened 13 years ago, and the family-owned business has yet to offer a franchise or build a drive-thru-only store. Eat-in customers account for 60% of business.

Char-Hut's menu is anything but limited. The menu mainstay is the Char Burger, 5⅓ ounces of beef on a kaiser roll priced at $2.20. Hot dogs, Italian

* R&I estimate



Daddy-O's plays up low menu prices.

sausage, onion rings, fries, broiled chicken and fish sandwiches, and an entree salad also are offered. The company will soon add frozen yogurt to the menu.

Checks average $4.65. Average unit volumes were not available. Char-Huts, are located in the Florida communities of North Miami, Sunrise, Hollywood, Tamarac, Oakland Park and Davie. The smallest has 90 seats and the largest, 130. Another restaurant is scheduled to open this year, and another two are slated for 1989.

DADDY-O'S EXPRESS DRIVE THRU

Headquarters: Columbus, Ohio
Projected 1988 sales: n/a
Units: 3
President and CEO: William Coleman

G.D. Ritzy's Inc. rolled out its Daddy-O's concept in 1987 and opened its first unit on the Ohio State University campus in Columbus, Ohio, in January 1988. Daddy-O's is a double drive-thru with a walk-up window and no indoor seating. Daddy-O's buildings are modular and can be moved if necessary.

The company has taken a lighthearted approach with its advertising and marketing efforts, focusing on Daddy-O's low menu prices with slogans such as "The Best Things in Life are Cheap" and "Talk is Cheap, So Are Burgers."

Daddy-O's menu includes a hamburger (99 cents), cheeseburger, double hamburger, double cheeseburger, chicken sandwich, hot dog, chili dog, batter-dipped fries, 16-ounce soft drinks and a chocolate milkshake. Checks average $2.11.

Daddy-O's franchise fee is $10,000, and franchisees also pay a $3.5% royalty fee. Projected average unit volume is $550,000 to $700,000.

Daddy-O's expansion will be primarily in the Midwest. Franchise rights will be offered first to Ritzy's franchisees. The company plans to add three to five more units before year's end, and 10 to 15 units in 1989.

FAST TRACK BURGERS TO GO

Headquarters: Baton Rouge, La.
Projected 1988 sales: $9MM
Units: 20
Founder and Chairman: Richard Hill

Fast Track's goal is to serve every customer within 30 seconds. "Our operation is a template of a time and motion study," says founder Richard Hill.

Hill, a Baton Rouge entrepreneur, real estate developer and physician, founded Fast Track in 1985. The company offers a more limited menu than most of its competitors: a hamburger (99 cents), chicken sandwich ($1.49), salad ($1.69), french fries (49 cents and 60 cents), shakes (79 cents) and soft drinks available in 49-, 59- and 69-cents sizes. Checks now average $2.80.

Fast Track's franchise fee is $12,500 for the first unit and $10,000 for each subsequent unit. Franchisees also pay a $2,500 development fee and a 4% royalty fee. Average unit volume is $600,000.

On a fast expansion track, the company has grown from two stores to the current 20 in only two years. Five to 10 more units will open before year's end, and 25 are planned for 1989. Fast Track plans to expand first in the Southeast.

Fast Track Burgers to Go grew from two stores to 20 in two years.

GOOD TIMES DRIVE THRU BURGERS

Headquarters: Boulder, Colo.
Projected 1988 sales: $2.3MM*
Units: 3
Founders: B. Edwin (Ed) Massey and Boyd Hoback

Good Times is the Boulder-based Round the Corner Restaurants' entry into the no-frills burger business. The first double drive-thru concept in Colorado, Good Times opened its first unit in Boulder in September 1987. To help the company with its aggressive franchising program, RTC has brought in Hal Taylor, formerly of Calny Inc., to be president and chief executive officer of Good Times. Ed Massey will remain chairman, president and chief executive officer of RTC.

Good Times is owned by Round the Corner Restaurants.

The Good Times menu includes a regular quarter-pound burger (89 cents, $1.09 with cheese), a deluxe burger (99 cents, $1.19 with cheese), a double burger ($1.89) and a chicken sandwich ($1.89). Fries come in two sizes; drinks come in three. There are also shakes and for dessert, rolled flour tortillas with apple cinnamon filling (59 cents). Checks average $2.19 per person and $3.27 per car. Typical serving time is fewer than 30 seconds.

At Good Times, average unit volume is $750,000 for company stores and $700,000 for franchises. The typical per-unit start-up cost is $250,000, plus land. Fees are $20,000 per franchise

1988 GROWTH CHAINS

Burgers

The double drive-thru craze has convinced two full-service restaurant chains to invest in the concept.

and a 4% royalty fee. The company expects to have nine stores open by the end of 1988.

In addition to the present prototype, RTC has developed an alternative Good Times building, which can be ready for business in 10 days, and can be collapsed and rebuilt at another site.

GRAFFITIS BETTER BURGERS

Headquarters: San Antonio, Texas
Projected 1988 sales: $2MM
Units: 4
Founders: Chris Post and Paul Mazuca

With '50s-style diners popping up all over the country, a '50s-style drive-thru burger chain seemed a natural. Post, an 11-year foodservice veteran, and Mazuca, who has a background in finance and real estate, teamed up to open their first Graffitis unit in San Antonio in July 1987. Graffitis has "a contemporary '50s-style motif" complete with neon signage, jukebox-style menu boards, and '50s music piped through the drive-thru system.

The Graffitis menu includes a 99-cent quarter-pound hamburger, a cheeseburger, double burger, bacon burger, fries and soft drinks. Graffitis first offered Moon Pies for dessert, but found they weren't selling, so the chain switched to a chocolate mini cake. Graffitis' goal is to serve the customer in 30 to 45 seconds.

The key to Graffitis' success, Mazuca says, will be in the quality of its product and in the systems used to cook and serve it. "If you mess up on a burger, you're not going to get the customer back," he says. "Other people are just jumping in and selling anything. I've seen a lot of bad product come out of other peoples' windows."

Graffitis will have six stores open by the end of the year (in Arizona, Arkansas and Texas) and plans to open 20 more in 1989. The franchise fee is $12,500 and franchisees pay a 4% royalty.

Post and Mazuca are negotiating a merger with a small chain of Mexican fast-food restaurants, and they plan to add 12 to 23 Graffitis units a year after the merger is complete. In early 1989, Graffitis will team up with a national ice cream chain; the two concepts will share sites and common seating areas.

Graffitis will soon team up with a national ice cream chain.

Bob Gontram opened Zipps last year.

ZIPPS DRIVE-THRU

Headquarters: St. Louis, Mo.
Projected 1988 sales: $6.9MM
Units: 12
President: Bob Gontram

Gontram, a former Rax franchisee, opened the first Zipps in May 1987. He says he originally planned to buy a franchise. "But I saw what companies were offering for $25,000, and I thought I could do it better myself," he explains.

There are two differences between Zipps and other drive-thru chains. The first, according to Gontram, is its truly limited, seven-item menu. Quarter-pound hamburgers (99 cents) come with lettuce, tomatoes, onions, pickles, ketchup and mayonnaise. Double burgers, cheeseburgers and double cheeseburgers also are sold. Zipps calls fries its signature product, and coats them with seasonings. Chili and soft drinks complete the menu.

The second difference lies in the building. Zipps' units are traditional buildings and are not movable.

By the end of this year, a total of 30 Zipps should be open. Zipps' expansion territories include St. Louis; Albuquerque, N.M.; Kansas City, Mo.; and Chicago. Checks average $3.55. The sole unit that has been open a year grossed $900,000 its first year. The franchise fee is $10,000, and royalties are 3%.

1988 GROWTH CHAINS

Sandwich chains sold more franchises than any other foodservice segment in 1987, according to the U.S. Department of Commerce. These Growth Chains are selling sandwiches to consumers as a healthy meal choice and sandwich franchises to potential licensees as a low-investment, low-overhead business requiring little footage and less cooking.

DEXTER'S SUBS

Headquarters: Columbus, Ohio
Projected 1988 sales: n/a
Units: 16
President: Michael Abraham

This 8-year-old sandwich chain stresses freshness: Dexter's bakes white and whole-wheat buns daily for its menu of 20 different subs, including the chili "Mex Dex" and the Breakfast Sub of bacon and egg. Prices are $1.70 to $4.85; average check is $4.20. Average unit volume in 1987 was $240,000. The nine company-owned stores alone had sales of $2 million. Dexter's has stayed mainly in Ohio so far, but the chain is now looking at Pittsburgh, Houston and Atlanta.

JRECK SUBS

Headquarters: Watertown, N.Y.
Projected 1988 sales: n/a
Units: 45
President: Thomas Swartz

Founded in 1969 by five high school teachers (whose initials form the tongue-twisting name), Jreck survived early growing pains and has seen strong growth in recent years. Systemwide sales went from $3 million in 1982 to $16 million in 1987. The typical Jreck's has about 32 seats; many are converted gas stations. Average unit volume is $360,000 and checks average $3.62.

O! DELI

Headquarters: San Francisco
Projected 1988 sales: n/a
Units: 7
President: Joseph Sanfellipo

O! Deli is the result of a purposeful search for a limited-risk, low-investment franchise concept. The concept debuted in San Francisco in 1985, selling 19 subs under $3, salads, soups, breakfast and dessert items, and quality coffee. No ovens are required, so units can locate in high-rent office districts to draw regular buyers and those who want an alternative to fried food. O! Deli stores close before dinner. Average 1987 unit volume was $300,000 on systemwide sales of $2 million.

O! Deli targets repeat lunch buyers.

Seawest levies a flat franchise fee.

PORT OF SUBS

Headquarters: Reno, Nev.
Projected 1988 sales: $6MM
Units: 27
Founders: John R. and Pat Larsen

Port of Subs is unique in its market for a front-line prep method that lets the customer direct the making of his "East Coast-style" sub dressed with oil and vinegar. It now has units in Nevada, Arizona, California and Washington, and plans a total of 40 by late 1988. In 1989 the company expects to open two units a month and to reach new markets such as Oregon and Utah. Most stores have seating for 50; drive-thrus in three new units account for 30% to 40% of their business.

SEAWEST SUBS

Headquarters: Bellevue, Wash.
Projected 1988 sales: $12 MM
Units: 77
President: James P. Iseman

Seawest's 20-sub menu is less distinctive than its franchising arrangements. Licenses are $15,000, but the company has replaced the usual percentage royalty with a flat $2,000 annual payment. The average Seawest store occupies 750 square feet in a suburban strip mall; most have limited seating and aim for a large takeout and delivery business. Total investment can range anywhere from $35,000 to $65,000.

For information circle 138 ⟶

1988 GROWTH CHAINS

These three companies are determined to prove that Chinese chains can be successful. They've updated the concept with speedy delivery and takeout, and offer Americanized Chinese favorites to appeal to a wide variety of palates. With a little luck, this group may rewrite the record books.

HOP TOO'S

Headquarters: Fort Lauderdale, Fla.
Projected 1988 sales: $1MM
Units: 3
President: Charles B. Miller

Miller and co-founder Joseph Piazza patterned Hop Too's after Domino's Pizza. "We originally thought of pizza, but learned that Chinese is the second most popular delivery time," Miller says. The first unit opened in March 1987.

The takeout and delivery restaurants offer a variety of Americanized Chinese, food, including fried rice, pepper steak, lemon chicken and soups. The food, is sold mom-'n-pop style—by the pint and quart. Hop Too's signature item, sweet-and-sour chicken, costs $4.75 for a pint and $7.25 for a quart. Dinner for two averages $14.50.

The restaurants offer a 30-minute delivery-time guarantee or $2 is taken off the check. The meal is free if it is not delivered in 45 minutes. Hop Too's fulfills its promise 98% of the time, Miller says.

Hop Too's franchise fee is $25,000, plus a 5% royalty fee. Miller and Piazza hope to open another five units this year and a minimum of 20 next year.

Hop Too's offers delivery and takeout.

MANDARIN EXPRESS

Headquarters: Bakersfield, Calif.
Projected 1988 sales: $6MM
Units: 15
President: Simon Hsu

Two types of restaurants bear the Mandarin Express name. One offers takeout and delivery only, and the other is a 54-seat limited-service restaurant. Hsu is directing most of his attention toward the former, even though he is aware of Chinese fast food's track record.

Both Mandarin Express concepts offer what Hsu calls typical Chinese food: Fried rice, beef dishes and chicken dishes, which are the best sellers. "Thirty percent of our menu accounts for 80% of sales," he notes. Checks average $4 at lunch and $6 at dinner.

Hsu, who formerly operated a group of full-service restaurants, is trying to franchise all company-owned units. The franchise fee is $10,000, plus 5% royalties. If all goes well, Hsu will open one new unit a month next year.

MR. CHING

Headquarters: Atlanta
Projected 1988 sales: $2.4MM
Units: 6
Co-founders: Ed Sear, Frank Lane

Mr. Ching's menu was designed to appeal to upscale Atlantans, according to Frank Lane. Fried rice and spicy dishes, such as Tsun Tsu Beef ($8.50) are Mr. Ching's specialties. The two founders, however, have discovered that the food has broad appeal, even with check averages of $7.50 per person. "We do good business in college towns," Lane says. He also says teen-agers account for 25% of Mr. Ching customers.

Three of the four units offer delivery and takeout only. About 90% of business comes from delivery, which is not guaranteed. Instead, customers are told when to expect their order. The orders are delivered in microwave-safe containers. Each unit runs two delivery trucks. The fourth restaurant, located in a converted Dunkin Donuts, seats about 35 people. About 60% of its business comes from takeout.

Sear and Lane say they do not plan to offer Mr. Ching franchises. They expect to open 12 more restaurants this year. Plans for 1989 have not been made, Lane says.

1988 GROWTH CHAINS

MEXICAN

These growth chains take advantage of the fact that there is only one national Mexican fast-food chain and even Taco Bell has not exposed the entire country to tacos, tostadas and guacamole. All three new concepts offer low prices and quick service, and are quickly amassing loyal local fans.

AMIGOS

Headquarters: Lincoln, Neb.
1988 sales (Fy ends 6/30): $6.7MM
Units: 20
President: Roger Moore

Moore describes his chain as "somewhere on a continuum between Taco Bell and Chi-Chi's." The menu offers fast-food Mexican fare, such as nachos ($2.39), meat enchiladas ($1.89) and taco salad ($3.25 for a large one).

Although 15 of the restaurants sell wine, beer and margaritas, alcohol accounts for only 5% of volume. Checks average $3.25 and average unit volumes are $600,000.

HACIENDA FRANCHISING GROUP

Headquarters: Mishawaka, Ind.
Projected 1988 sales: $13.5MM
Units: 7
Principals: William N. Shannon III, Kenneth Zmudzinski, Lance Mulling

Hacienda is approaching expansion carefully, says Zmudzinski, president of the company. "We've learned from our mistakes and now I think we're doing well," he says. The company started franchising in January, and plans to open three units next year.

Hacienda specializes in huge portions at modest prices. Wet burritos, priced at $3.25, are made with eight ounces of taco meat rolled in a 10-inch flour tortilla, and covered with molé sauce and a quarter pound of melted cheese. "People rarely finish the whole thing," Zmudzinski says. Checks average $5.50. Alcohol accounts for 40% of sales.

The franchise fee is $15,000. Royalties are charged according to annual sales volume: The percentage goes down as volume goes up. "We want to give franchisees an incentive to do well," Zmudzinski explains.

LOS TIOS

Headquarters: Houston
Projected 1988 sales: $5MM
Units: 9
President: Rosemary Garbett

Garbett describes her full-service Mexican chain as family oriented. "Our atmosphere fits everyone from babies to grandparents," she explains. Eight of the restaurants are located in strip shopping centers. The ninth location opened in July at Houston's Astroworld. Los Tios serves lunch and dinner seven days a week, 361 days a year.

The best-selling items are *chili con queso* and nachos Los Tios. Checks average $6.50 and unit volumes range between $500,000 and $1 million. Garbett says she prefers community involvement to formal advertising.

Garbett plans to open one more unit this year. Next year's expansion plans depend on the Houston economy, she says. Now, all Los Tios restaurants are company owned. Garbett will begin to franchise if her food-processing business, which supplies institutions as well as a few chains, succeeds.

TACO TABER

Headquarters: Purcell, Okla.
Projected 1988 sales: $180,000
Units: 3
President: Floyd Taber

Why did Taber leave Taco Bell in 1983 to open Taco Taber? "Because Taco Bell makes so much money," the former supervisor explains. "I didn't think it would take very much to open my own restaurant." Taber's 15-item menu includes taco salad ($2.89). Drive-thru customers account for 50% of sales. The restaurant seats 50 people.

Taco Taber plans to open 10 units next year, all franchised. The franchise fee is $10,000, with 3% royalties and 2% toward advertising. R&I

Los Tios founder Rosemary Garbett

ACTION EXPRESS

MAGAZINE DIVISION STAFF

Terrence McDermott, President; David S. Wexler, Vice President Foodservice Group; Thomas J. Dellamaria, Vice President Production and Manufacturing.

BUSINESS STAFF

Barry H. Reese, Publisher; Jane Young Wallace, Associate Publisher; Steven D. Mayer, Director of Marketing; Catherine Erickson, Associate Director of Marketing; Kate Leach, Assistant to Sales/ Marketing Director; M.R. Robinson, Vice President Foodservice Research; Karen Hallberg, Foodservice Research Director; Ed Christ, Circulation Director; Denise Stolton, Circulation Manager.

BUSINESS OFFICES

Mark A. Strauss, National Sales Director. **Midwest:** Rose Deneen, National Sales Coordinator; Spencer B. Isola, Regional Manager; John W. Maisel, Regional Manager; Marjorie S. Maca, District Manager; Susan Kallas, Sales Services Manager; Patricia McGowan, Recruitment/Classified Advertising Manager, Cahners Plaza, 1350 E. Touhy Ave., P.O. Box 5080, Des Plaines, IL 60017-5060. Phone: 312/635-8800. **East Coast:** Robert Fisk, Regional Manager; William Lazar, Regional Manager, 8 Stamford Forum, P.O. Box 10277, Stamford, CT 06904-2277. Phone: 203/328-2547. Michael Cardello, Regional Manager and National Sales Manager/Beverage Alcohol, 249 W. 17th St., New York, NY, 10011-5301. Phone: 212/463-6480. **Central Area:** Jerry Stiegler, Regional Manager, 1621 Euclid Ave., Cleveland, OH 44115-2186. Phone: 216/696-1800. **Southeast:** Thomas McElhinny, Regional Manager; Claire Gillen, District Manager; Suite 395, 6520 Powers Ferry Rd., Atlanta, GA 30339-2911. Phone: 404/955-6500. **West Coast:** Stephen Kosloff, Regional Manager, Suite 236, 12233 W. Olympic Blvd., Los Angeles, CA 90064-1068. Phone: 213/826-5818; Rebecca Roberts, Regional Manager, 18818 Teller Ave., –170, Irvine, CA 92715-1679. Phone: 714/851-9422. **Southwest:** Thomas McElhinny, Regional Manager, 12127 Carriage Hill Dr., Houston, TX 77077-2508. Phone: 713/497-1095. Michael Cardello, Regional Manager, Suite 515, 13740 Midway Road, Dallas, TX 75244-4314. Phone: 214/980-0318. **Japan:** Kaoru Hara, Dynace International Inc., Suite 1003—Sun-Palace Shinjuku, 8-12-1 Nishishinjuku Shinjuku-ku, Tokyo 160, Japan. Phone: 03/366-8301.

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